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PORTUGAL

Francisco Sa Carneiro, secretary general of the center-right Popular Democratic Party, created new political uncertainty in Portugal yesterday by threatening to withdraw his party from the present provisional government.

The Popular Democratic leader is demanding that the Socialists drop their plans to form a minority government after the presidential election this summer. He also is insisting that the present government—which is scheduled to continue in office until a new government is formed—be shuffled to exclude the Communists and to reflect more accurately the results of the legislative assembly election last Sunday.

The Popular Democrats see in Socialist Party leader Mario Soares' continuing references to a minority government the possibility that they will be excluded from participation despite their second-place finish in the election. Sa Carneiro's threat appears designed to exert pressure on the Socialists to come to terms on a coalition government as both he and Social Democratic Center Party leader Freitas do Amaral have suggested.

Soares has not reacted publicly to Sa Carneiro's threat, but he is unlikely to give in easily to such pressure tactics. A Popular Democratic withdrawal would leave the Socialists and the Communists as the only parties in the provisional government. This would embarrass the Socialists, who have said on several occasions that they would not govern with the Communists alone. It would also cause concern among anti-Communist "operational" military officers that such a leftist coalition might become a permanent fixture.

Sa Carneiro's strategy could have even more far-reaching consequences, however. Shortly before the assembly election, Prime Minister Azevedo threatened that any political upheaval during the interregnum could cause his resignation. If Azevedo decides to step down, President Costa Gomes will be required to appoint a successor to form another temporary government. The prospect of a complete government collapse would be upsetting to the military and could play into the hands of those who favor suspending the presidential election and setting aside the legislative results.

Communist Party chief Alvaro Cunhal is unlikely to accept without a fight Sa Carneiro's insistence on removing the Communists. Cunhal has already stated that his party's showing in the election—14.6 percent at final count—entitles it to participate in the new government. Efforts to exclude the Communists at this stage could rally support from the "political" officers and thus hasten the showdown between the "politicals" and the "operational" in the Revolutionary Council.

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In addition to the Communists and Socialists, the proposal to reshuffle the provisional government is also opposed by the conservative Social Democratic Center, which although not a party to the present government has become an important political factor because of its third-place finish in the election.

Sa Carneiro's strategy could draw fire from leaders of his own party. Dissatisfaction over the disappointing election showing plus some sentiment for avoiding a wrenching struggle with the other parties and also possibly the military could divide the party and might ultimately work to the benefit of Soares, who has hoped for just such a split. [REDACTED]

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SPAIN

The Spanish Communist and other opposition parties are planning to mount a major challenge to the government, with strikes and massive demonstrations on May Day.

As a prelude, the Communists have taken the lead in calling for nationwide walkouts to begin today in the troubled construction industry. Their appeal urges all Spanish workers to transform the work stoppage into a general strike that can be used as a "pickaxe to wreck fascism." Other left-wing groups, including the powerful Communist-dominated Workers Commissions, have issued similar appeals.

Interior Minister Fraga, who is charged with internal security, believes May 1 will be a day of "particular tension" in Spain. Security forces have already arrested at least 50 persons for allegedly planning "subversive" activities. All rallies have been banned—except for sports and cultural events sponsored by the state-controlled Spanish Syndical Organization.

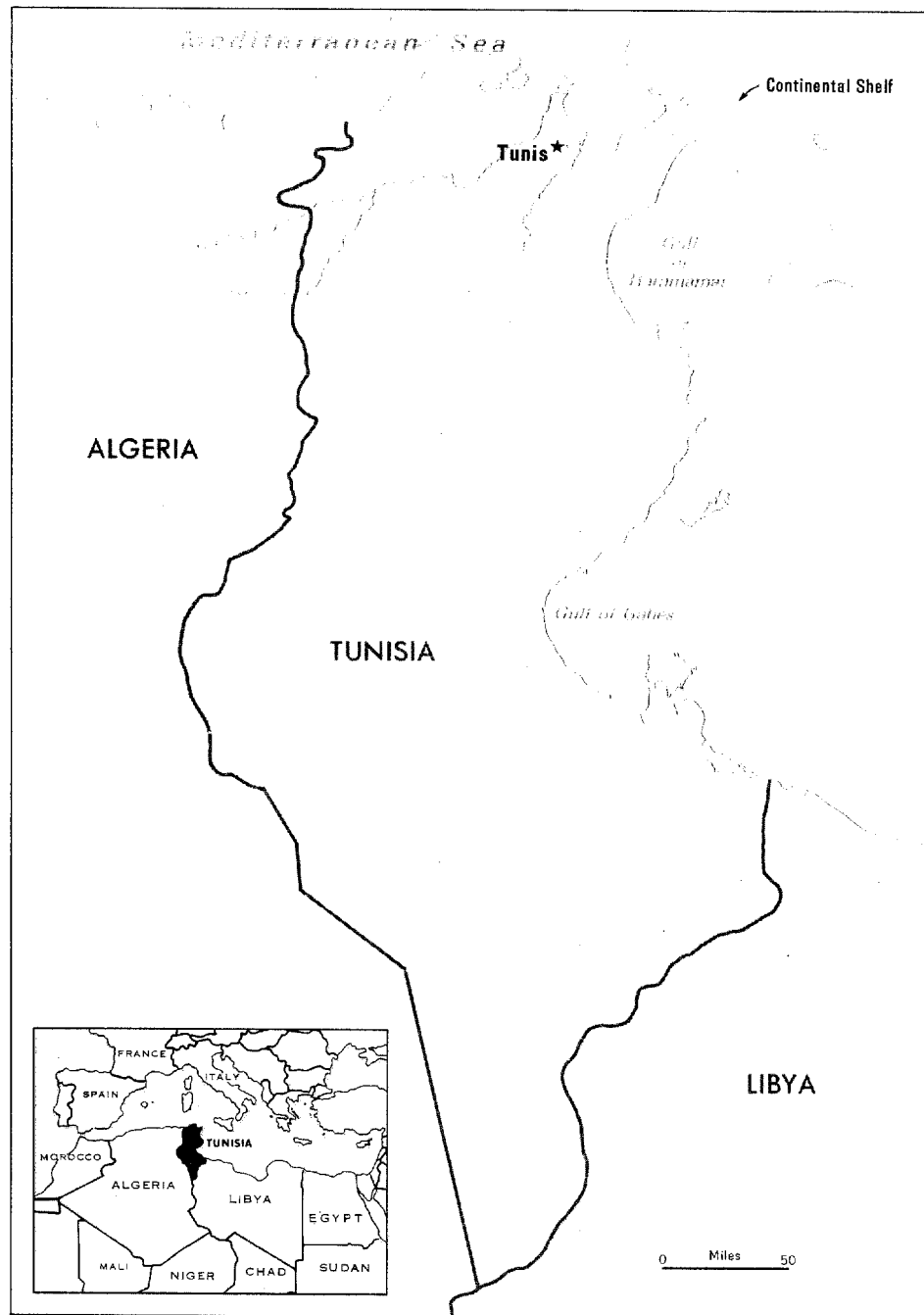
Reformist ministers in the cabinet had hoped that Prime Minister Arias' television address today would be sufficiently forthcoming to help the government offset oppositionist appeals for demonstrations and regain the political initiative. The Prime Minister, however, seems more susceptible to pressure from the right to slow down the pace of reform.

Arias failed to present his text to the cabinet last Friday as promised, and there are signs that he is yielding to right-wing pressure and will give yet another ambiguous speech, the primary effect of which will be to disillusion reformists in the government and further aggravate the opposition.

Fraga, fearing the worst, has already begun to downplay the importance of Arias' address, maintaining that the government's reform program will proceed on schedule regardless of what the Prime Minister says on television.

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ROMANIA-USSR

Speaking on Monday, Romanian President Ceausescu used exceptionally strong language to charge that Moscow is twisting Marxist-Leninist doctrine to advance Soviet hegemony in the world communist movement.

The Yugoslavs immediately rebroadcast Ceausescu's speech, describing it as the "official opening of a polemic" against advocates of limited sovereignty, a euphemism for the "Brezhnev Doctrine."

Ceausescu told a congress of Romanian trade unions that certain Marxist-Leninist "philosophers and theoreticians" are denigrating national sovereignty by interpreting "proletarian internationalism" to mean that anyone who defends his nation's independence violates communist theory. He said this argument is "absolutely erroneous" and contradicts Marxist-Leninist doctrine. Quoting Marx and Engels to support his position, Ceausescu said the Romanian party and working class are "duty bound" to defend the "freedom of the fatherland."

Ceausescu quoted Lenin that those who do not aspire to their own freedom are worthy only of repulsion, indignation, and contempt. He went on to warn the Soviets that they themselves cannot be free if they oppress others and that "true" proletarian internationalism is based on the defense of national sovereignty. Ceausescu asserted that many developing countries share Romania's position and that they, too, reject efforts to write the role of the nation out of communist theory.

The strident rhetoric, which will not be ignored by the Kremlin, suggests that Bucharest feels itself under pressure from Moscow. Ceausescu's charges and the Yugoslav commentary clearly reflect the apprehensions of Bucharest and Belgrade over the greater Soviet emphasis on ideological conformity since the recent Soviet party congress and over Moscow's intentions in the Balkans in a post-Tito period. They also share fears regarding great-power "spheres of influence." Indeed, deputies to Tito and Ceausescu met in Yugoslavia at mid-month in an apparent effort to develop a common strategy.

In addition, the Soviets have been steadily criticizing the independent-minded communist parties, specifically those in Western Europe, for falling into the trap of "bourgeois nationalism." Moscow and its loyal East European allies may use the occasion of the East German party congress opening May 18 to address the Romanian challenge.

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FRANCE-USSR

French officials believe Foreign Minister Gromyko's consultations in Paris this week reflect a Soviet decision to maintain good ties with France in spite of French Communist objections. The French party is demanding that Moscow show its "proletarian internationalism" by cooling bilateral relations with the Giscard government, which the French Communists hope will help them in the next legislative elections.

A senior Foreign Ministry official has said the French government intends to play up the visit both to demonstrate the French Communists' lack of influence in Moscow and to show the Soviets the value the Giscard government attaches to its "special relationship" with the USSR—a tie Moscow also values. The French probably will also agree to a Soviet request for a "significant celebration" in late June to mark the tenth anniversary of the Franco-Soviet accord.

The French continue to be uncertain about Soviet intentions, however, and the Foreign Ministry official chose not to answer inquiries by US embassy officials about whether Premier Kosygin would visit France for the celebration. Apparently concerned that Moscow may yet bow to French Communist pressure, Paris reportedly will be watching for any undue delay in the Soviet response to an invitation for a Brezhnev visit this year.

In substantive talks with Gromyko, the French plan to emphasize the importance they attach to the continuation and strengthening of detente, but will also make it clear that detente is a two-way street and inconsistent with continuing ideological "battles." In this context, a French Foreign Ministry official said Paris will express its concern about the Cuban presence in Africa and impress on Gromyko that any new Soviet "adventures" there would seriously threaten Franco-Soviet ties. The French official said his superiors would also tell the Soviets they expect them to use their influence with Somalia to assure the security of the French African Territory of Afars and Issas after independence.

The Foreign Ministry official said he anticipated a Soviet effort to move the French closer to the Soviet position on disarmament issues, but added that France is unlikely to budge now. In addition, there will be a tour d'horizon covering the Middle East problem and the situations in Sahara, Cyprus, Lebanon, China, and Indochina. A Soviet official in Paris has told US embassy officers that Gromyko may raise the question of possible Soviet participation in negotiations between industrialized and developing states.

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EC

In an effort to slow capital flight from Italy, other EC finance ministers voted Monday to seek the prohibition of their domestic banks' purchases of large denomination lire notes. Italy was also offered a \$1.5 billion 90-day loan, intended to finance exchange market intervention. Following these EC decisions, the lira firmed slightly to 890 against the dollar yesterday.

The ban on conversion of 50 and 100 thousand lire notes (roughly equivalent to \$56 and \$112) into other EC currencies is designed to supplement Italian controls, which have proved ineffective. Many Italian citizens have circumvented Rome's exchange controls by smuggling huge sums of lire out of the country and converting them into stronger European currencies, notably Swiss francs. In order to stem this flow, which Swiss bankers estimate at up to \$8 million a day, the Swiss government imposed a quarterly \$8,000 per capita limit on currency imports last week. Although affecting all currencies, this move was aimed mainly at the lira.

The new loan offer, following a \$1 billion EC loan last March, would raise total Italian official indebtedness to the EC to \$4.4 billion.

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ARAB COUNTRIES

Arab finance ministers are meeting in Rabat this week to sign an agreement setting up an Arab Monetary Fund.

Both rich and poor Arab states support the new fund. It is designed to help member nations with balance-of-payments problems and to support inter-Arab development projects. Contributions reportedly will be based on a country's balance-of-payments surplus. About \$600 million in pledges have been received, mainly from Persian Gulf states. The organization that will administer the fund will also be used to coordinate Arab positions on international economic and monetary questions.

Over the past six months, Arab economic integration pacts have proliferated, including:

- Forming a \$100 million satellite corporation to begin operation in 1978.
- Organizing a computer group to act as a clearinghouse for information and expertise and to permit standardization of computers in the Arab world.
- Establishing a \$600 million Arab shipping company to integrate the dry cargo activities of the major Arab maritime nations—similar to the Arab Maritime Petroleum Transport company that operates tankers.
- Creating the Arab Gulf Organization for Industrial Consultancy, designed to coordinate industrial planning and avoid duplication of projects.

More ambitious proposals are now being studied, including an Arab regional common market and a unified Arab currency. These efforts, however, are still in the embryonic stage.

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SOUTH AFRICA

According to a senior official of the Bureau for State Security, South Africa will not apply economic pressure on Rhodesia's white minority government to reach a peaceful settlement with the African nationalists. Prime Minister Vorster reportedly has told senior government officials that he will not put any restrictions on Rhodesia's use of available South African transportation for handling its overseas trade. On the other hand, Vorster is said to be firmly against any South African military involvement in Rhodesia even if the guerrilla threat increases.

This view of the Rhodesian problem points up Vorster's dilemma. While continuing to pressure Rhodesia toward settlement, he is unwilling to use Pretoria's powerful economic and military levers to force the Salisbury government into compliance. Rhodesia is now totally dependent on South Africa's transportation network and on a steady flow of South African military supplies. Although some 1,500 South African paramilitary police were gradually withdrawn last year, Pretoria still has a helicopter squadron supporting Rhodesian counterinsurgency forces that provides advisory and training support.

Vorster's professed determination to limit military aid to its present level may be severely tested by South African public opinion should the situation in Rhodesia deteriorate. Two factors that would increase pressure on the South African government to expand its military involvement in Rhodesia are a dramatic increase in white civilian casualties in terrorist attacks, and the introduction of Cuban troops to support the guerrillas in Rhodesia. [REDACTED]

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RHODESIA

Rhodesian Prime Minister Ian Smith announced last night that he is bringing 10 blacks into his government. Four tribal chiefs are being sworn in today as full cabinet ministers, and six deputy ministers will soon be appointed from among Rhodesia's black businessmen and professionals.

Smith apparently hopes to offset the collapse last month of his constitutional settlement negotiations with Joshua Nkomo, one of the rival leaders of the divided African National Council.

Nkomo had demanded immediate parity between blacks and whites in top executive positions and elections within a year under a broadened franchise that would put a black majority in the Rhodesian parliament. Nkomo told the press—and Smith has not denied it—that Smith's best franchise offer would have postponed majority rule for at least 10 years.

Smith's token measures toward "power sharing" are not likely to win over Rhodesia's urban blacks who have supported Nkomo nor to deter foreign backing for the Rhodesian guerrillas, who have recently stepped up incursions from bases in Mozambique.

Nevertheless, Smith's announcement, following a closed caucus of the ruling Rhodesian Front Party, suggests that he has succeeded once again in asserting his unrivaled influence over Rhodesia's beleaguered white community. He apparently has faced down the sizable faction within his party that reportedly opposed even such token measures. He also may have reassured the relatively few white moderates who hope that some accommodation of black aspirations might at least stem the growth of insurgency. [REDACTED]

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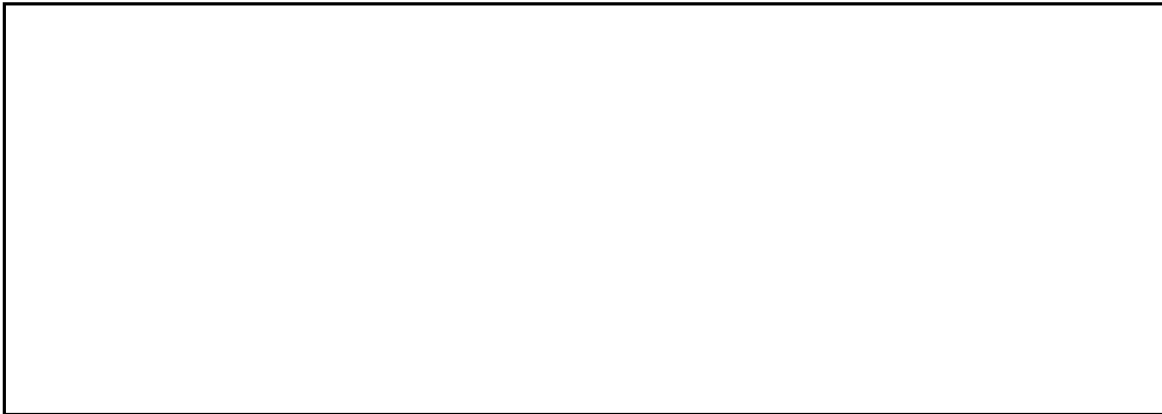
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CHINA

In an apparent attempt to display party unity, thirteen members of the Politburo met with representatives of Peking's workers, militia, public security officials, and army to congratulate them for "smashing" the Tien An Men Square incident on April 5.

Appearing for the first time since the appointment of Hua Kuo-feng as Premier were the leading members of the so-called radical group, including Wang Hung-wen, Chiang Ching, and Yao Wen-yuan. A fourth member of this group, Chang Chun-chiao, who also was present, had appeared earlier. The reappearance of the radicals dampens speculation that the leftists within the party were in political trouble and possibly faced a loss of Politburo positions.

Missing from the rally were Yeh Chin-ying, Chu Teh, and Li Hsien-nien. Although all three have recently appeared publicly, none has appeared at public gatherings specifically designed to celebrate the ouster of Vice Premier Teng Hsiao-ping from his party and government posts. There have been indications that middle- and lower-level cadres and the general population have been dissatisfied with the decision to remove Teng. The absence of three top officials on the Politburo who are believed to hold the same moderate views as Teng indicates that this dissatisfaction reaches the top echelon of the Chinese hierarchy.

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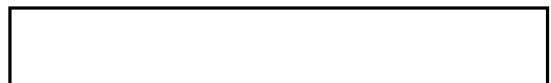
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